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THE ADMINISTRATION OF WHEAT MARKETING QUOTAS

By a majority of 81 percent, U.S. wheat farmers on May 31 voted to use marketing quotas for their 1941 crop. More than half a million farmers, estimated to include 4 out of every 5 affected by quotas, voted in the nation-wide quota referendum. The marketing quota plan is one part of a comprehensive program that a large majority of wheat farmers have used in recent years to protect their income.

Designed for use in times of surplus emergency, quotas aim to keep part of the surplus off the market until it is needed. In that way quotas help farmers avoid the price-depressing effect of the surplus, protect wheat loan values, and maintain well-managed stocks in the Ever-Normal Granary.

Quotas Provided by Law. The Agricultural Adjustment Act of 1938 directs the Secretary of Agriculture to proclaim a wheat marketing quota by May 15 when it appears that the total supply will exceed a normal year's domestic consumption and export by more than 35 percent. This year, with good yields and exports virtually cut off, the wheat supply is estimated at about 1,300 million bushels, a record high and more than 250 million bushels above the quota level.

Farmer Referendum Held. Before quotas can be effective, two-thirds of the wheat farmers voting in a national referendum must give their approval. All persons who have an interest in the wheat crop on a farm subject to quotas are entitled to cast a secret ballot in the referendum. County Agricultural Conservation Committees, elected by farmers in their respective counties, conduct the referendum; resident wheat farmers are in charge of the polling places and supervise the voting in every wheat community. The 1941 wheat quota referendum was held May 31 and quotas were approved by an 81 percent majority.

Small Farmer Not Affected. Wheat quotas do not apply to farms on which the acreage planted to wheat is not more than 15 acres or on which the normal production of the acreage planted to wheat is less than 200 bushels. However, each of these small wheat farmers may obtain a wheat marketing card, which will enable him to market all his wheat without penalty.

How Quotas Apply to Farmers. Every wheat farm has a wheat marketing quota. This is the amount of wheat which may be marketed or otherwise disposed of free of penalty. The only wheat that is subject to penalty when marketed or otherwise disposed of is excess wheat, that is, the amount of wheat equivalent to the smaller of the actual or normal yield on the acreage in excess of the farm's acreage allotment. Farmers whose actual yield is less than their normal yield should present this information to their county AAA committee in order to have the amount of excess wheat adjusted to their actual yield.

Under the quotas, any farmer who has not exceeded his farm wheat acreage allotment may market or otherwise dispose of his entire production without penalty. A farmer who has exceeded his farm acreage allotment may market or otherwise dispose of his entire production, less the normal or actual production of the excess

acreage, whichever is smaller, after he has satisfied the penalty provisions on his excess wheat. Under the quota system, the farmer who seeds within his acreage allotment makes an adjustment when he seeds his crop; the farmer who overseeds his acreage allotment makes an adjustment when he markets the crop.

Marketing Card Necessary. In the administration of quotas, marketing cards are issued to identify penalty-free wheat. Marketing cards are issued to all farmers who seeded within their farm acreage allotments and to all farmers who seeded not more than 15 acres, or whose normal production on their seeded acreage for the 1941 crop is less than 200 bushels. This entitles them to market all their wheat penalty-free. Marketing cards are issued to farmers who exceeded their allotments, only after they have made arrangements for handling the excess wheat, either by paying the penalty on it, by storing it in accordance with marketing quota regulations, or by delivering it to the Government.

Until the excess wheat is handled in one of these ways, all the wheat on the farm is subject to a Government lien in the amount of the penalty. After the farmer who exceeded his allotment receives his marketing card, he is entitled to market the rest of his crop penalty-free.

It is estimated that 90 percent of the 1941 U.S. wheat production will be penalty-free wheat.

Marketing Penalty. The primary object of the marketing penalty is to keep excess wheat off the market until it is needed. This principle has always been a part of the quota law, and in order to continue the same policy when the 85-percent-of-parity loan law was enacted, Congress established the penalty rate as 50 percent of the basic loan rate. Since the 1941 national basic loan rate is 98 cents a bushel, the marketing penalty rate is 49 cents a bushel. This makes the 1941 penalty 34 cents above the previous 15-cent rate, but the increase is offset by the increase in the 1941 loan rate over last year's basic loan rate of 64 cents. Farmers can get a higher price for their wheat this year because of the effect of the higher loan and they are actually better off after paying the 49-cent penalty on their excess wheat than they would be with the lower penalty and lower price in effect last year. The purpose of the penalty, however, is not to collect revenue, but to discourage the farmer who has excess wheat from marketing it. The marketing quota regulations provide methods authorized by Congress by which a farmer may keep his excess wheat off the market without having to pay the penalty.

Excess Wheat May Be Stored. First, the farmer may store excess wheat on his farm or in a warehouse. In order for this storage to qualify for postponing or avoiding payment of penalty, the farmer must deposit a bond or cash for the amount of the penalty with the county committee or if the grain is stored in commercial storage he may deposit with the committee a warehouse receipt covering the amount of wheat stored. The purpose of these deposits is to make sure that the penalty will be paid if any of the excess is sold, fed, or marketed or disposed of in any way. As long as the excess wheat remains intact in storage, no marketing penalty will be collected.

Farmers who store excess wheat in 1941 may convert it to free wheat next year in one of two ways. First, if supplies are back to normal in 1942, making a quota unnecessary, all 1941 excess wheat which has been stored, may be marketed without penalty automatically. Second, even if a marketing quota is in effect in

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1942, the producer may take out of storage and market without penalty 1941 excess wheat equal to (a) the amount his 1942 actual production falls below the normal yield of his allotted acreage, or (b) the amount by which he reduces his 1942 seedings below his allotment, measured in terms of his normal yield.

If excess wheat is stored in storage approved for loans and the payment of the penalty is secured by putting up a bond or otherwise, it will be eligible for a Government loan at 60 percent of the loan rate.

Excess May Be Marketed With Penalty. If the farmer does not care to store his excess, he may pay the penalty of 49 cents a bushel on his excess wheat and he will then be free to market his entire wheat crop, either by sale or through feeding.

Excess Wheat May Be Turned Over for Relief Use. The farmer may turn his marketing excess over to the Government to be taken out of trade channels and used for relief purposes or other uses outside of commercial channels. The delivery is made to any elevator or warehouse, and the warehouse receipt is given to the County AAA Committee. If delivery in this manner is impracticable, the County Committee will designate a time and place for accepting the delivery of the actual wheat.

Appeals. The producer who is dissatisfied with his marketing quota or marketing excess is entitled to appeal. Within 15 days after he has received his notice of quota and excess by mail from his County AAA Committee, he may ask for a review of his case. A review committee composed of three farmers appointed by the Secretary of Agriculture will receive the producer's evidence and make a decision. In the event he is not satisfied with the committee's decision, he may within 15 days, institute proceedings which call for a review of the case by a court.

PRODUCERS HAVING QUESTIONS ABOUT THE ADMINISTRATION OF WHEAT
MARKETING QUOTAS ARE URGED TO SEE THEIR COUNTY AAA
COMMITTEES FOR FURTHER INFORMATION.

